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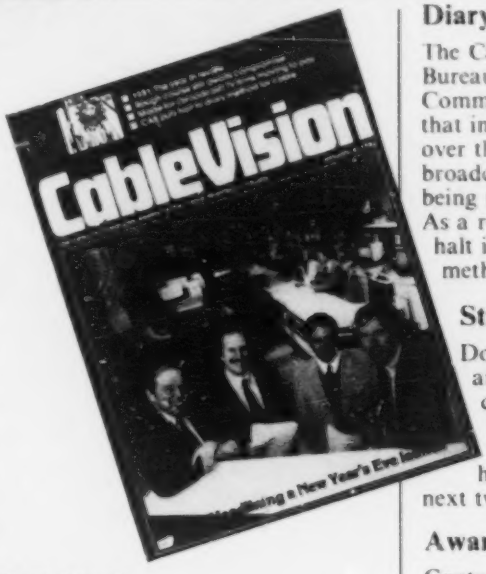

Fast break

The key words to Turner Broadcasting System's latest cable offering, CNN 2, clearly identify the format and the motives behind the service. The headline newscasts will run at 30-minute clips around the clock. CNN 2, which was announced only four months ago, prepares for a New Year's Eve launch. The story on this amazingly quick development starts in "Leading the week," on **page 13**.

Cover courtesy of TBS. Standing on the CNN 2 set are (left to right) Reese Schonfeld, president of CNN, Ted Kavanau, executive vice president of CNN 2, Nory LeBrun, vice president of TBS cable sales and marketing, and Terry McGuirk, vice president of TBS special projects.

Potential potholes

A rough road is still ahead for the embattled copyright compromise. It barely made its way past the House Subcommittee on Courts, Civil Liberties and the Administration of Justice, but there are a number of barriers which it must face before reaching the House floor. **Page 17.**

New exposure

Many films originally made and scheduled for broadcast television are finding their way over to the competitors, namely pay television. A number of such services are picking out a few of the made-for-TV formats for air play. The evident rumblings of a potential trend is being examined. **Page 20.**

Diary death?

The Cabletelevision Advertising Bureau/NCTA Research Standards Committee have conducted a study that involves the growing concern over the use of existing, traditional broadcast research which is currently being used to estimate cable viewing. As a result, the CAB has called for a halt in using the diary-keeping method. **Page 25.**

Strong investments

Donaldson Lufkin & Jenrette analysts suggest that interactive cable services, such as videotex and home security, along with pay programming operations, plan to have the strongest growth in the next two decades. **Page 34.**

Award in jeopardy?

Controversy surrounds the Los Angeles South Central community in which city councilmembers have recommended that a minority- and locally-owned cable company be awarded the 210,000-home franchise. **Page 38.**

Directing a future

Direct broadcast satellite services have increasingly within the past year been hailed as the solution to expanding the telecommunications revolution to rural America, but they have been met with skepticism as well; some broadcasters call DBS an unnecessary waste of spectrum space. **Page 41.**

"The year in review"

Indeed, it appears that 1981 has been a watershed year, but then, in the cable industry, it would seem that each new year is a watershed year. The changes that are constantly occurring within the industry demonstrate the challenges that face all who are involved in it. The level of awareness of those who are outside the industry has no doubt increased to a great extent as a result of the press coverage and national attention the industry has drawn during 1981. In terms of breaking news, 1981 was a banner year. This week, *CableVision* writers take a nostalgic look back at the events that made 1981 an exciting year for the cable industry. 1981, however, may quickly be forgotten if 1982 is in any way as dramatic as its predecessor. Page 26.

Cable 1981: A taste of reality

Another year of dramatic changes gave signs that the shake-out is yet to come

Although the term "blue sky" is one that will not be excised from the cable glossary in the near term, perhaps 1981 was the first time in recent years that the impact of the promises began to be realized. Cable has often been referred to as a "recession-proof industry," but that did not mean that everything touched by cable in 1981 turned to gold.

In 1981, the harsh reality of contemporary economics set in: several major MSOs pulled out of large-market franchise battles because the cost of winning was simply too high; the shake-out of programming services began as the difference between announcing a service and getting it on the air was painfully realized by some; and the feasibility of many of the new technological innovations was questioned openly.

The cost of playing the cable game continued to escalate. The networks officially arrived in one form or another; major companies merged to establish even more powerful bases for operating costly franchising and programming businesses; and interest rates were far from manageable.

But despite the tinge of reality, cable continued to boom. The multitude of services and promises of enhanced services has captured the imagination of the general public to such a degree that more than 600 press representatives attended the NCTA's national convention—about 200 were expected. What has lured the general populace to cable are the differences from conventional television: diversity, innovative alternatives, and, of course, pay television.

The cable industry remained expansive, invigorating and even lucrative for some. But, 1981 proved that just joining the ranks of the cable industry was not an automatic promise of riches.

What follows is a look at the major events of 1981.

January

Converter controversy

The year began with a flap over addressable converters. Cox Cable surprised the manufacturing world by signing a major agreement with Oak Communications to provide converters for the company's New Orleans, San Diego and Omaha franchises. Cox originally had an agreement with TOCOM for converters, but cancelled the order.

Oak also inked a converter deal with American Television and Communication's Manhattan Cable system, as part of a $20 million expansion and upgrade plan. But this time it was Oak's turn for a disappointment. Manhattan Cable President John Gault later cancelled the order (as well as the planned upgrade), and issued the often-repeated judgement that there is no field-tested addressable 54-channel converter deliverable today in the cable industry.

The continuing skirmishes between RCA Americom and the Federal Communications Commission began in January. The FCC suspended RCA's two-for-one transponder allocation plan for Satcom IV, the first of several regulatory setbacks for the carrier...On the franchising front, the *Denver Post* (now owned by Times Mirror) broke a story concerning the FBI and a national investigation of franchise activity. Those reports later proved to be more sensational than factual...FCC Commissioner Tyrone Brown succumbed to the lure of private practice and resigned to join the Washington law firm of Steptoe and Johnson...The C-SPAN board approved a 24-hour programming game plan...TCI entered into two joint ventures with Taft Broadcasting: one for cable system ownership, the other for programming. Before the year ended, the MSO would agree in principle to a third joint venture, system ownership only, with Knight-Ridder newspapers...Universal became the first member of the Premiere consortium to return to the pay television market, signing a $3.5 million, 17-picture contract with The Movie Channel.

February

Friend or foe

Fresh from announcing ARTS in late 1980, ABC continued its charge into the cable programming arena by announcing the formation of Beta (later renamed Daytime), an advertiser-supported women's programming service. A joint venture between the network's Video Enterprises division and the Hearst Corporation, Beta was one of three major programming announcements made by the network.

February also witnessed the changing of the guard at the NCTA. Allen Gilliland replaced Doug Dittrick as chairman of the board.

A new organization became the

focal point for the push to bring advertisers into the cable fold—the Cabletelevision Advertising Bureau. Former Radio Advertising Bureau chief Robert Alter was picked as the first CAB president.

Apparently deciding that late is indeed better than never, the Public Broadcasting Service announced its effort to develop a cultural service for cable. The service was dubbed the Public Subscriber Network, now referred to as PBS Cable, and slated for entrance into the pay television fray in 1983.

On Wall Street, the battle for control of UA-Columbia began with Dow Jones and Knight-Ridder offering $72.50 per share. Before the tussling would end, two other companies (also working in partnership) would make a concentrated drive to snare the MSO.

Also in February, Charter Publishing formed a cable programming division called Charter Media...The Southern Cable Television Association changed the name of its convention from the Southern to the Eastern Show in order to expand its drawing ability...Dow Jones won the Princeton, New Jersey, franchise, intending to develop an advanced two-way interactive cable system...ATC was granted the 140,000-home Indianapolis franchise...Viacom signed one of the first franchise renewals of the year, extending its San Francisco franchise from 1985 to 2005. At the same time, the MSO promised to wire an additional 130,000 homes and increase channel capacity to 52 channels...Bristol-Myers finished the month by signing a ten-year, $40 million advertising contract with USA Network.

March

The players enter

March was a month dominated by big money. Newhouse Broadcasting, already the parent of MetroVision and NewChannels, added Vision Cable to its holdings, purchasing the MSO for between $175 and $180 million. While Newhouse was buying, Sammons was busy franchising. The Dallas-based MSO rebounded from last year's loss to Warner Amex in Dallas by winning the 160,000-home Fort Worth, Texas, franchise. Scripps-Howard, not yet seriously involved in cable, took its first steps by forming a cable division with Dick Loftus and its helm.

The Tribune Company decided that purchasing was much more certain than franchising. The parent company of the *Chicago Tribune* (and passive superstation WGN) bought Douglas Communications and renamed it Tribune Company Cable. Doug Dittrick was named president.

During the month, an established name in the television set manufacturing industry, became the latest entrant in cable technology. Zenith caused some questioning glances in boardrooms throughout the industry when it announced plans to introduce a new line of addressable equipment (Z-TAC converters) in the fall...In New York, Teleprompter shareholders went through the motions of approving a merger with Westinghouse...Wometco executives decided to take the cable company public... WASEC went before CTAM's first New York advertising conference to announce a 24-hour advertiser-supported video music service called MTV: Music Television. The service was scheduled to begin in August...In Washington, the Charles Ferris regime officially ended at the FCC as Mark Fowler was appointed by President Reagan to lead the commission into an era of "unregulation."

April

ARTS, appeals and AT&T

Five Republican senators, led by Commerce Committee Chairman Robert Packwood (R-OR), introduced a piece of telecommunications legislation that became known as S. 898. The bill would allow AT&T to enter the enhanced service marketplace through a separate subsidiary, but prohibit the giant corporation from offering cable television services.

April was also a month for massing transponders offered on new cable satellites. Westinghouse began building an arsenal of transponders by signing a deal with Western Union for ten slots on Westar IV and V.

Hearst/ABC decided on Satcom I, buying transponder time from Modern Satellite Network. Midway through the month, ARTS, ABC's first programming service for cable, initiated its service by piggybacking on Nickelodeon with 4.5 million subscribers, but no sponsors.

Times Mirror perpetuated the incestuous relationship between MSOs and programming services by offering its own pay channel, Spotlight, in T-M systems.

In Minnesota, St. Paul city officials rejected all pending franchise proposals, announcing that municipal ownership was the prudent course to follow. In nearby Minneapolis, the city's franchising crisis worsened. The state regulatory authority denied the cable ordinance awarding the franchise to Storer, putting cable on hold for at least another year. Farther east, Warner Amex and ATC settled a protracted legal suit over the Pittsburgh franchise that had been awarded to Warner Amex.

Times Mirror and Comp-U-Card launched The Shopping Channel in six systems as a test service. Initially, the companies hoped for an industry-wide launch in the first quarter of 1982, but further evaluation placed such development on hold...Ted Turner, TBS helmsman, steered away from a one million share public offering of stock because of loose talk on the *Phil Donahue Show*...UA Theater Circuits, UA-Columbia' largest single shareholder, made an attempt to hold off the Dow Jones/Knight-Ridder takeover attempt.

May

The road to L.A.

As the industry made its way toward the NCTA convention, Westinghouse spread the word that it would be a major player in the cable programming game by announcing the formation of Group W Satellite Communications.

Mark Fowler passed through the Senate confirmation mill without any difficulty. With the resignations of Charles Ferris and Tyrone Brown, along with the retirement of Robert Lee, President Reagan would be given the opportunity to replace three FCC commissioners in his first year of office.

With a little help from Canada's Telidon technology, AT&T elected to place its stamp on the videotex market by adopting a self-proclaimed North American standard (largely based on the Telidon model).

Hughes Communications emerged as a new entrant in the transponder game. The carrier set aside its Galaxy I satellite (scheduled for launch in May 1983) for cable programmers. Its new approach would be to sell transponders rather than lease them. Time Inc. was the first to jump aboard the Galaxy bird, announcing its intent before the month ended.

HBO and Tele-Communications, Inc., filed for a temporary restraining order to bar the state of Utah from enforcing an "indecency bill." The broad language of the legislation would prevent HBO (and all other pay television networks) from showing such award-winning films as *Kramer*

vs. Kramer. The order was granted...

By the end of the month, the industry regulars and a host of newcomers convened in Los Angeles for the NCTA's 30th annual convention. More than 16,000 people wandered across the exhibit floor—an all-time record for a cable convention. Programmers specializing in R-rated fare seemed to dominate the show. On convention eve, *NBC Magazine with David Brinkley* angered industry executives with "Cable Connection," a segment on the rent-a-citizen tactics in cable franchising. The piece drew the ire of many for its one-sided presentation of the controversial policy.

June

From afar

The U.S. District Court of Appeals for the Second Circuit in New York put an end to the last major encumbrance created by the FCC in an earlier era: the court lifted the stay that had prevented cable systems from adding distant signals even though the FCC had rescinded the rules a year earlier. The court responded to a petition filed by the NCTA asking for an immediate dissolution of the stay that was originally imposed November 19, 1980. Executives from United Video, Eastern Microwave and Southern Satellite (representing superstations WGN, WOR and WTBS) were elated by the decision in their favor. They predicted an increase of as many as two million subscribers within a matter of months.

On Wall Street, the battle for control of UA-Columbia escalated from a schoolyard brawl to an armed confrontation. No one had given UA Theater Circuits much of a chance in preventing the Dow Jones/Knight-Ridder takeover of the ninth-ranked MSO until Canadian-based Rogers Cablesystems came along. CEO Ted Rogers, along with UATC, offered UA-Columbia stockholders $90 per share. Once the board of directors approved the sale, Rogers announced plans to merge UA-Columbia into the Rogers/UATC joint venture (now known as Rogers-UA Cablesystems, Inc.), with Rogers owning 51 percent of the new company, UATC holding the remainder.

Another Ted with fondness for headlines kept himself in the trade press in June. At month's end, believing that Group W's first satellite venture would be an all-news service, Ted Turner filed a petition with the FCC opposing the Westinghouse/Teleprompter Merger. In the petition, Turner charged that CNN would not get a fair deal in Teleprompter systems once Westinghouse went ahead with its plans. Despite Turner's petition and several others from public interest groups, the merger received initial FCC approval.

The Tribune Company continued its acquisitions, this time buying a baseball team, the Chicago Cubs... Time Inc. announced that San Diego would be the test site for its satellite-fed, nationally distributed teletext service...Morality in Media began its anti-cableporn campaign with help from letters signed by former Dallas Cowboys quarterback Roger Staubach...Cable Newspaper Corporation announced plans to form a hybrid programming network using leased cable channels...Southern Pacific Communications said it would dedicate its new satellite, SpaceNet I (targeted for a 1984 launch) to cable programming.

July

Early lobbying success

In the last days before mark-up of S. 898, the cable lobbying forces of the NCTA managed to have several favorable cable provisions added to the common carrier bill. One of the provisions would have effectively deregulated the cable industry, allowing cable operators to set their own rates. Representatives of numerous municipalties, led by the National League of Cities, reacted angrily, fearing an erosion of powers traditionally held at the local level. They vowed to strip the provisions from the bill.

July was also a month of reactions. Daniel Ritchie, chairman of Westinghouse, was not impressed with Ted Turner's petition to prevent the Westinghouse/Teleprompter merger. He called it a "transparent, self-serving effort to forestall competition in the marketplace."

There was also reaction in Boston when former FCC Chairman Charles Ferris appeared before city officials on behalf of Charles Dolan. Ferris had been hired by the Cablevision Systems president, much to the chagrin of Warner Amex—some insiders said Warner Amex had previously approached Ferris for limited employment with the MSO. Dolan's hope of winning Boston was boosted by wiring the 120,000-home Fairfield, Connecticut, franchise, via a partnership with Scripps-Howard.

Miami city officials made a controversial decision when they awarded the city's franchise to locally-owned Americable, rated last by the city's

Major franchise awards—1981

City	Homes	Date	Company
Indianapolis, IN	140,000	February 1981	ATC
Fort Worth, TX	160,000	March 1981	Sammons
Miami, FL	120,000	June 1981	Americable...later joint venture between company and TCI
Vancouver, WA	60,000	June 1981	Cox
Northwest suburbs of Minneapolis, MN	80,000	June 1981	Storer Cable
Fairfield County, CT	120,000	July 1981	Cablevision Systems
Houston, TX	242,100	August 1981	Cablevision Systems
Springfield, MA	60,000	September 1981	Continental Cablevision
Tuscon, AZ	135,000	October 1981	Cox
Prince George's County, MD (two areas—100,000 homes each)	200,000	November 1981	Storer/MetroVision
New York* (four unwired boroughs)			
Bronx	490,000	November 1981	Cablevision Systems
Brooklyn	885,000	November 1981	Cablevision/WACC
Queens	720,000	November 1981	WACC/ATC/Inner City
Staten Island	106,000	November 1981	Cox/WACC/Vision Cable
Scottsdale, AZ	45,000	November 1981	United Cable
Skokie, IL	21,000	December 1981	Teleprompter

*Companies targeted for preliminary negotiations by the city.

consultants...The Canadians were jolted by H.R. 4225, a bill introduced in Congress that would limit ownership of U.S. cable operations by foreigners. Designed to slow some of the Canadian companies, the bill was sponsored quietly by several American MSOs, but eventually lost its momentum...ARTEC signed a six-year extension of its Arlington, Virginia, franchise, after a long battle over public access programming and equipment...In Hollywood, the Writers Guild headed for their typewriters again, settling the four-month strike.

August

The news explosion

This month's media marriage saw ABC Video Enterprises and Group W join together to form Satellite News Channels. Using the resources of both companies and a total of six transponders on Westar IV and V, Satellite News Channels would launch two services—one headlines, the other in-depth—next year. Ted Turner countered days later by announcing a headline venture of his own to complement the Cable News Network. The new service, dubbed CNN 2, scheduled a December 31, 1981, launch.

Programming details dominated the month as well. *Playboy* announced a 50/50 joint venture with Rainbow's Escapade service to gradually take over programming on the network. MTV launched its 24-hour a day video music service with the song, *Video Killed the Radio Star* and 2.5 million subscribers. Time Inc. purchased a share of USA Network for an estimated $15 million.

There was no tea party in Boston for Warner Amex in August. The MSO lost in a one-on-one franchising contest against Cablevision Systems. Charles Dolan's company was awarded the franchise in part because of its $2.00 charge for 52-channel basic service. Low-budget basic would also find its way into Denver and Milwakee franchise battles before the year was over.

Boston was also the site of a CTAM conference. Speaking to the industry's top executives, Harvard professor Daniel Bell sounded the theme of the meeting when he said, "If you don't know which way you are going, any road will take you there."

September

The $1.98 franchise show

For years, cable executives based in Denver have been sending their troops into foreign markets to do battle. This month, two companies joined together for the skirmishing over their home turf. United Cable and Mile Hi Cablevision (a partnership between ATC and Daniels & Associates) filed bids for the Denver franchise. New York-based Teleprompter also ventured into the lion's den with a promise of $1.98 basic service.

Continental Cablevision won the 60,000-home Springfield, Massachusetts, franchise, and six companies filed bids for Milwaukee's 250,000-home prize.

HBO and Showtime both raised their rates (TMC was soon to follow), while ESPN helped its cause by signing a ten-year, $22 million advertising deal with Timex...RCA Americom filed a transponder allocation plan that called for an auction to determine the customers on Satcom IV's remaining slots...ABC again shocked the industry by teaming up with ESPN to form a pay-per-view sports service, offering one event per month...The Leonard-Hearns boxing classic drew thousands of pay-per-view customers. Afterwards, experts predicted that pay-per-view revenues in this decade and the next would finally begin to offset expensive construction and programming costs.

October

One loss, one compromise

S. 898 went to the floor of the Senate with the cable amendments still attached. When it finally passed by an overwhleming vote, the cable amendments had dropped by the wayside. Senator Barry Goldwater (R.-AZ) championed the cause of the municipalities and their representatives who demanded that hearings be held before any cable legislation is considered. Although the Senate voted in support of the merits of the cable provision, they also responded when Goldwater said it was "a matter of honor" that the provisions be stripped from the bill.

Later in the month, the cable industry heard the news that the National Cable Television Association lobbyists had forged a compromise on cable copyright with the Motion Picture Association of America and the National Association of Broadcasters. NCTA President Thomas Wheeler said that the compulsory license was in danger of elimination without the compromise and asked for industry support. Initial reaction was against the original compromise provisions, principally because it would reimpose syndicated exclusivity. Ted Turner and other superstation representatives vehemently opposed the plan.

Cable programming executives gathered in New Orleans for the first NCTA/CTAM Cable Software Symposium. Attendance hit close to 2,000 for the three-day meeting. From comments at the event, it was clear that the cable industry is a buyer's market in programming. Later, CTAM said its first venture into an all-software show would also be its last. NCTA will continue alone next September in Miami.

CBS joined with AT&T to plan a videotex programming test in 200 Ridgewood, New Jersey, homes. On the West Coast, CBS took advantage of an FCC waiver to file a proposal for the 31,000-home Alameda, California, franchise...Dow Jones purchased 24.5 percent of Continental Cablevision, allowing Continental to drop a planned public offering...Paramount and MCA joined Time Inc. as partners in USA Network, each owning a 33-percent interest in the newly expanded 24-hour service.

November

Copyright, auction action

The controversy over the tentative cable compromise continued with Tom Wheeler using ACSN as a closed-circuit vehicle to appeal to system owners to back the NCTA. Amendments to the plan were worked out to gain the support of Turner at the end of the month. Specifically, all superstation programming under contract at the time of any new legislation would be exempt from syndicated exclusivity.

RCA Americom launched Satcom III-R successfully this month and held an auction for seven transponders on Satcom IV, scheduled for a January launch. A group of 53 interested bidders gathered at Sotheby Parke Bernet in New York. Although RCA was proceeding without FCC validation, the carrier picked up $90.1 million in lease commitments for the slots. Veterans like WASEC and Time Inc. managed to pick up one each, but so did several newcomers: UTV Cable Network, Inner City Broadcasting, Transponder Leasing Company and religious entrepreneur Billy Batts.

Inner City Broadcasting and its president, former Manhattan Borough President Percy Sutton, won the Cable Working Group's recommendation that the company should negotiate with New York's Board of Estimate for a piece of the Queens

franchise. Warner Amex was recommended for slices of three boroughs. Teleprompter was recommended for part of Brooklyn, but not Queens. One month later, TPT would take itself out of the running for both unwired boroughs.

Hughes Communications announced news of an earth station breakthrough—a dual-beam feed antenna able to pick up feeds from two satellites at once... Viacom hooked up with Dr. Art Ulene and former Showtime President Jeffery Reiss for the Cable Health Network, a 24-hour health channel, aiming for a spring 1982 launch... Walt Disney Productions and Group W Satellite Communications joined to form The Disney Channel, a 16-hour daily pay service to air in 1983... Showtime hit the 2.5 million subscriber milestone ... QUBE in Columbus surpassed 50,000 subs... United Cable won the 45,000-home franchise in Scottsdale, Arizona... The County Commission in Prince George's County, Maryland, went against the recommendation of the Cable Commission and CTIC to award the northern half of the county to Storer and the southern half to MetroVision. Both companies had substantial support from prominent local citizens ...

December

Western wares, transponder troubles

More than 11,000 people capped off the cable year by attending the Western Show in Anaheim. During the convention, Times Mirror said it would take Spotlight nationwide, thanks to a hasty alliance of co-partners—TCI, Cox, Storer and Cablevision Systems. Storer also made the first affiliate move in UTV's direction and Black Entertainment Television announced it was headed for prime time in May via Satcom IV.

Substantial doubt and debate clouded the aftermath of the RCA auction. Eighteen companies filed petitions with the FCC challenging the auction as reports alleged that RCA did not adequately determine the financial capability of two auction winners: Transponder Leasing and Billy Batts.

Rumors were flying during the month that all three commercial networks had acquired transponders for cable services from Hughes Communications. The Spanish International Network criticized Hughes loud and long, claiming that the carrier reneged on an agreement in principle for the last two full-time transponders on Galaxy I. SIN filed a formal complaint with the FCC, alleging that Hughes decided to accept an offer from ABC.

The copyright compromise narrowly passed a mark-up session by a House subcommittee. A transition period of from six months to two years was added to the bill to silence some critics as well as a partial elimination of the must-carry rules.

TCI ended the year as it began, by announcing a joint venture. Knight-Ridder agreed in principle with the company to form TKR, a new MSO determined to acquire 500,000 subscribers in the next five years ... Tim Wirth introduced legislation rewriting the common carrier portions of the Communications Act of 1934 ... Washington Capital Centre owner Abe Pollin announced that he would apply for the Montgomery County, Maryland, franchise along with a Canadian MSO ... AT&T formed its Baby Bell subsidiary to enter the enhanced services marketplace ...

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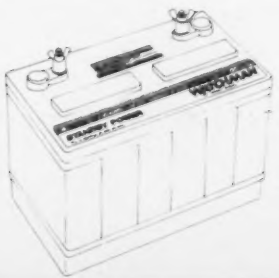


Irving Kahn warned analysts about their impact upon the long-term effects of the cable industry. "High technology cannot be monitored in 13-week segments," he said.

Investing in the future

Donaldson, Lufkin & Jenrette analysts see videotex and cable TV programming as profitable investments

NEW YORK—Interactive cable services, such as videotex and home security, as well as pay programming, are being touted by Donaldson, Lufkin & Jenrette (DLJ) analysts as strong investment prospects during the next two decades.

DLJ Vice President Mark Hassenberg told over 100 analysts and investors at the company's recent communications investment seminar at New York's University Club, "the 1980s will be remembered as a time when great changes in communications will occur as television makes the transition from a passive device to a terminal with many uses."

Leading the way in this communications revolution, in the assessment of Hassenberg and the other speakers, are companies such as Warner Communications, Cox Broadcasting, ABC and Time Inc.

These companies, according to the analysts, have positioned themselves well in the cable industry and offer solid investment possibilities in the interactive and programming side of the business.

Only companies similarly positioned, the analysts warned, will survive in the coming years. While the communications industry offers much growth and profit potential, the industry is in a period of turmoil and a "shake-out" of companies will occur by mid-decade, according to DLJ analysts.

"There are a number of poor players," said DLJ Vice President Dennis Leibowitz. "The timing isn't right for all of them."

This situation exists for both the pay and ad-supported networks in the programming side of the industry, Leibowitz said. While the pay networks are the fastest growing and the most appealing, the market does not have room to absorb the dozens of premium services that have been proposed. "Their overall growth is very exciting," Leibowitz noted, "but only the strongest players can survive."

He cited such companies as ABC, which has put itself in a good position by joint venturing all of its deals, and Cox and Warner as aggressively innovative organizations that are involved in a number of different areas.

Electronic publishing is another cause for analyst enthusiam. DLJ analyst Mary Bosco believes that "there is a lot of opportunity for growth since no one company can handle the videotex technology all by itself."

Among the companies that offer investment potential, according to Bosco, Time Inc. is leading the way. "It appears to be the company most likely to succeed," she said, "because it has well positioned itself as both a national program and information supplier." Bosco also mentioned Dow Jones and AT&T as other companies in the

United States videotex activity

Organization	Estimated Number of Users	Location	Start-Up Dates	Status
Videotex Tests				
AT&T CBS	200	Ridgewood, NJ	Late 1982	Proposed test
AT&T Knight-Ridder	204	Coral Gables, Fl.	1980	Complete test
	5,000	South Florida	1983	Planned commercial trial
Dept. of Agriculture	200	Kentucky	1980	Government project
First Bank System	250	Minneapolis, MN	1982	Planned trial
OCLC	200	Columbus, OH	Late 1980	3-month test
Times Mirror	350	Los Angeles, CA	Early 1982	Commercial test
Warner Amex	100	Columbus, OH	1981	Commercial test
Commercial Services				
Advertiser-Tribune	Under 100	Tiffin, OH	1981	Commercial service
A.H. Belo	100	Dallas, TX	1981	Commercial service
Cox Cable	10,000+	Omaha, NE	1981	Commercial service
Dow Jones	29,000	National	1977	Commercial service
H&R Block Compuserve	15,000	National	1980	Commercial service
Reader's Digest The Source	12,000	National	1979	Commercial service

Source: Donaldson, Lufkin & Jenrette

forefront of the videotex movement.

"There is big money to be made," Bosco said flatly. Even so, she noted some stumbling blocks in electronic publishing's path. "We know what electronic publishing can do, but we don't know what the consumer wants or is willing to pay for."

Determining those consumer needs, says Bosco, will be the key to the success of videotex. "The technology is ready to do amazing things, but we still need some 'breakthroughs' in marketing the product," she said.

The growth of information services, Hassenberg mentioned, will offer many new opportunities for investment since the new technologies will allow for further expansion and formation of companies which will supply needed products.

The fate of these newcomers and even of the existing technology companies, analysts agreed, will depend largely on their own behavior. Luncheon keynote speaker Irving Kahn, president of Broadband Communications, Inc., warned the analysts that their attitude could have a cri'ical impact upon the success of these companies and upon the future of the cable industry as a whole.

"High technology cannot be monitored in 13-week segments," Kahn declared. "Companies involved with emerging technologies have a double cross to bear. Not only do they have to compete in the technological sweepstakes with competitors at home and abroad, but also, thanks to the traditions Wall Street has fostered, they are called on the carpet four times a year to account for themselves as well. Companies are now more concerned with their short-term earnings, with making the next 13 weeks better than the last, than they are with taking a long-term view of their products or services or management, and therein lies potential disaster."

New technology companies, Kahn stated, cannot perform well by "short-term thinking," since "there is little or no track record to fall back on." Communications entrepreneurs, he said, must have the freedom to experiment, test and follow scientific hunches "without the nagging pressure to conform to Wall Street's idea of what constitutes progress."

—Karen Bloom

Estimates of the videotext market in 1990

Organization	Number of Videotex Subs	Market Size	Monthly Consumer Expenditure
AT&T	8 million	$6-$10 billion	$50-$75
Communications Studies/ Planning International, Inc.	—	—	$20
Institute for the Future	11 million +	$3.7 billion	$35
International Resource Development, Inc.	—	$9 billion +	$78
Strategic, Inc.	4-12 million	$1.5-$5 billion	$30-$36
Southam, Inc.	20-25 million	—	—

Source: Donaldson, Lufkin & Jenrette

Are You Concerned About Your Image?

Cable customers know their operator by what they see on their home television screens. If you aren't providing the prettiest pictures possible you could be tarnishing your image. The Quantafont* Billboard* Automatic Information Display Systems, for single and dual channel displays, deliver the best looking characters in the business. That includes color background plus 20 character sizes by row or page.

When it comes to big league letters System Concepts didn't write the book. We wrote the alphabet.

*TM System Concepts

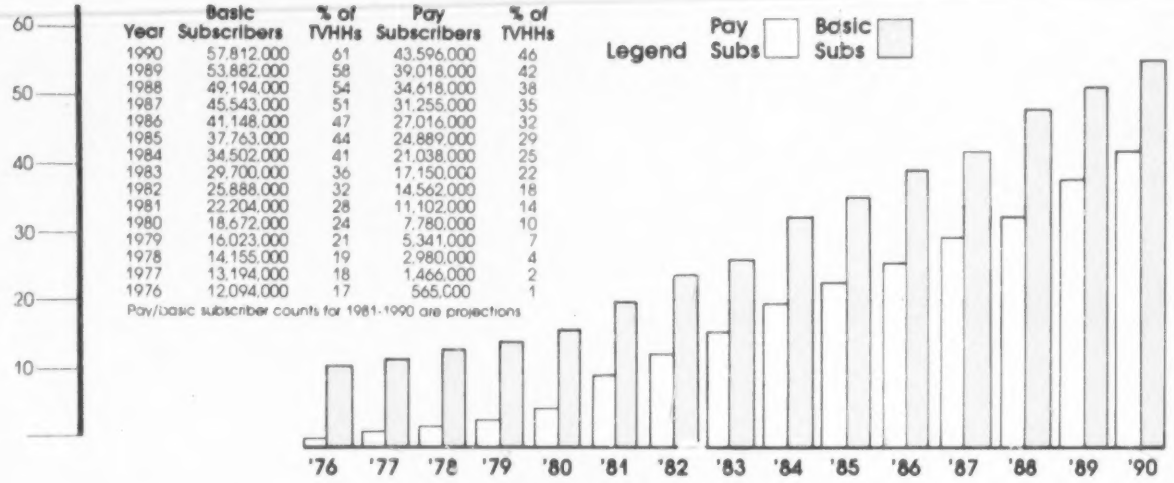
System Concepts, Inc.
2440 So. Progress Drive
Salt Lake City, Utah 84119
(801) 974-0992

SYSTEM CONCEPTS

Pay/basic cable growth

Year	Basic Subscribers	% of TVHHs	Pay Subscribers	% of TVHHs
1990	57,812,000	61	43,596,000	46
1989	53,882,000	58	39,018,000	42
1988	49,194,000	54	34,618,000	38
1987	45,543,000	51	31,255,000	35
1986	41,148,000	47	27,016,000	32
1985	37,763,000	44	24,889,000	29
1984	34,502,000	41	21,038,000	25
1983	29,700,000	36	17,150,000	22
1982	25,888,000	32	14,562,000	18
1981	22,204,000	28	11,102,000	14
1980	18,672,000	24	7,780,000	10
1979	16,023,000	21	5,341,000	7
1978	14,155,000	19	2,980,000	4
1977	13,194,000	18	1,466,000	2
1976	12,094,000	17	565,000	1

Pay/basic subscriber counts for 1981-1990 are projections



Film product comparison

Film	Networks					Distributor
A Dream of Passion					C	Avco Embassy
All That Jazz	HBO*	(ST)	(TMC)			20th Century-Fox
Altered States			TMC			Warner Bros.
The Amazing Adventures of Joe 90		ST				ITC
American Gigolo		ST	(TMC)			Paramount
Any Number Can Play		ST				MGM
Apocalypse Now	(HBO)	ST				United Artists (UA)
The Apple			TMC			Swank
Ask Any Girl		(ST)			C*	MGM
Back Roads	HBO	ST	TMC			CBS
Bananas					C	UA
Barnaby and Me		ST				Simcom
Battle of Algiers					C	World Northal
Becket	HBO	(ST)				Video Comm.
Bells Are Ringing		ST*				MGM
Being There	(HBO)	ST*	(TMC)	(HTN)		Lorimar
The Big Red One				HTN*	(C)	Lorimar
The Blackboard Jungle		ST				MGM
Blood Barrier	HBO					Hemdale
Blood and Guts		ST*				Viacom
Bon Voyage, Charlie Brown	HBO*	(ST)	(TMC)	HTN*		Paramount
Boys' Night Out		ST				MGM
Breaker Morant	HBO	ST	TMC			New World
Breaking Glass	HBO*					Paramount
Bronco Billy	(HBO)	(ST)	TMC*	(HTN)		Warner Bros.
Caddyshack	(HBO)	ST*	TMC*			Warner Bros.
California Dreaming	HBO					Filmways
Carny		ST	TMC*			Lorimar
Cat and the Canary					C	Universal
Catherine and Company		(ST)			C*	Film Gallery
Cheech and Chong's Next Movie	HBO					Universal
The Children		ST				World Northal
The China Syndrome	HBO*	(ST)				Columbia
Christmas Mountain		ST*				CMA
The Club			TMC*			Cinaco
Coal Miner's Daughter	HBO*	ST*	TMC*	HTN*		Universal
Day for Night					C	Warner Bros.
Days of Fury					C	Picturemedia
Death Car on the Freeway					C	HBO
Die Laughing					C*	Warner Bros.
Doctor Zhivago	HBO		(TMC)			MGM
Dona Flor and Her Two Husbands		ST	(TMC)			Columbia
The Dot and the Kangaroo			(TMC)		C*	Satori
Double Trouble		ST			C	MGM
Duncan's World					C	Best Film and Video
The Electric Horseman	(HBO)	ST*	(TMC)			Columbia
The Elephant Man	HBO	ST	TMC	HTN		Paramount

Film	Networks					Distributor
Escape from Alcatraz			(TMC)	HTN*		Paramount
Fatso	(HBO)	ST				20th Century-Fox
Fear No Evil		ST*				Avco Embassy
The Fiendish Plot of Dr. Fu Manchu		(ST)	TMC	(HTN)		Warner Bros.
The First Family			TMC			Warner Bros.
The Formula	HBO*	ST*	(TMC)			MGM
The Fox					C*	Warner Bros.
Freaky Friday	(HBO)	ST	(RMC)	(HTN)		Disney/Buena Vista
Friday the 13th	HBO	(ST)	(TMC)		(C)	Paramount
The Frisco Kid					C	Warner Bros.
From the Life of the Marionettes	HBO*					ITC
The Hard Way					C*	ITC
The Harrad Experiment			TMC			IFE
Happy Birthday, Gemini					C	UA
Hawk the Slayer		ST			C*	ITC
Heartbeat					C*	Warner Bros.
The Hollywood Knights		ST				Columbia
Home Movies			TMC			SMA Entertainment
Hotel Paradiso					C*	MGM
The House of the Seven Hawks					C	MGM
The Howling			TMC			Wescom
Huckleberry Finn					C*	UA
Improper Channels	HBO		TMC			Crown International
The Incredible Shrinking Woman	HBO		TMC			Universal
Inside Moves	HBO*		(TMC)			AFD
The Island		ST	TMC			Universal
The Jazz Singer	HBO					EMI/AFD
Journey Back to Oz		ST				Columbia
King Solomon's Mines		ST			(C)	MGM
Klondike Fever					C	HBO
Kramer vs. Kramer	(HBO)	ST*	(TMC)	(HTN)		Columbia
The Lady Vanishes				HTN	C*	Rank
Last Tango in Paris		(ST)			C*	UA
The Last Time I Saw Paris		ST				MGM
Leo and Loree				HTN		UA
Libel		ST			C	MGM
The Lion in Winter					C*	Avco Embassy
Little Darlings	(HBO)	(ST)	TMC			Paramount
Little Miss Marker	HBO*	ST*		(HTN)		Universal
Loophole					C	Telepictures
Love and Death			(TMC)		C*	UA
Lt. Robin Crusoe U.S.N.				HTN		Disney/Buena Vista
Melvin and Howard			TMC		C	Universal
The Miracle Worker	HBO					HBO
My Bodyguard	HBO	ST*	(TMC)	(HTN)	(C)	20th Century-Fox
Newsfront					C*	New South Wales Film

Cable stats

Film	Networks					Distributor
Night of the Juggler	HBO					GGC
The Night Porter					C	Joseph E. Levine
Nine to Five	HBO	ST	TMC	HTN		20th Century-Fox
No Nukes			(TMC)		C*	MUSE Inc.
The Nude Bomb	HBO*			(HTN)		Universal
Nutcracker Fantasy		ST*				Sanrio
The Octagon	HBO*					ACR
One Trick Pony			TMC			Warner Bros.
The Outsider	HBO*					Paramount
Papillon	HBO					Lorimar
The Parallax View	(HBO)		TMC			Paramount
Penelope		ST*				MGM
Performance					C	Warner Bros.
Pete's Dragon	(HBO)		TMC			Disney/Buena Vista
Phobia	HBO					Paramount
The Pinchliffe Grand Prix	HBO		(TMC)			GGC
Popeye	HBO					Paramount
Portnoy's Complaint					C	Warner Bros.
Quentin Durward					C	MGM
Quo Vadis		ST*			(C)	MGM
Rascal Dazzle		(ST)			C*	Castle Hill
Resurrection	HBO	ST*		(HTN)	(C)	Universal
The Return	HBO					O.F.M. Ltd.
Rio Bravo			TMC			Warner Bros.
Road Games			(TMC)		C	Avco Embassy
Rough Cut	(HBO)	(ST)		HTN*		Paramount
Salem's Lot: The Movie			TMC			Warner Bros.
Scanners	HBO					Avco Embassy
Scarface					C	Universal
The Shining		ST*	TMC*			Warner Bros.
Sidney Sheldon's Bloodline	HBO					Paramount
Silent Scream	(HBO)				C*	Telepictures
Simon		(ST)	TMC			Warner Bros.
The Sleeping Car Murder					C*	Warner Bros.
Snowball Express	HBO*		TMC*			Disney/Buena Vista
Sphinx			TMC			Warner Bros.
The Spiral Staircase					C*	Warner Bros.
Stay Hungry			TMC			UA
Star Trek:						
The Motion Picture		(ST)	(TMC)	HTN*		Paramount
Steel				(HTN)	C*	World National
Street Gangs of Hong Kong			TMC			World Northal
The Stud		ST				Brent Walker
Sunday in New York		ST				MGM
Superdome			(TMC)		C	HBO

Film	Networks					Distributor
Survival Run		(ST)			C	Film Ventures
Sweet Sugar		ST				Swank
Those Lips, Those Eyes					C*	UA
Thunderbirds to the Rescue		(ST)			C	ITC
Trilogy		ST*				Viacom
Up River			TMC		(C)	Gold Key
Up the Academy		(ST)	TMC			Warner Bros.
Urban Cowboy	(HBO)		TMC*	HTN*		Paramount
Why Would I Lie?		ST*		(HTN)		MGM
Wise Blood		(ST)	TMC		(C)	New Line Cinema
The World's Greatest Athlete	HBO			HTN		Disney/Buena Vista
The Working Girls		ST*				Swank
Xanadu	HBO*		(TMC)	(HTN)		Universal
Zero to Sixty		ST*	TMC*		(C)	Samuel Goldwyn Co.
Zulu Dawn	HBO					Zulu Dawn Co.

■ **Cable Network Legend**

HBO—Home Box Office
ST—Showtime
TMC—The Movie Channel
HTN—Home Theater Network
C—Cinemax

■ Networks in parentheses indicate carriage in August, September, October, November and/or December.

■ An asterisk following a network indicates the film is a carry-over from August, September, October, November and/or December.

■ In total, 152 films appear on the January schedules of HBO, Showtime, The Movie Channel, Home Theater Network and Cinemax. Of those titles during the last six months (August-December 1981, January 1982), one title ("My Bodyguard"), has appeared on all five networks, ten titles have appeard on four networks, 15 on three, and 45 on two networks. Eighty-one films are unduplicated.

■ The motion picture distributor to pay cable with the most titles featured this month is Warner Brothers with 22, followed by MGM with 18, and Paramount with 15.

■ "Nine to Five" kicks off the 1982 program guide cover for HBO, The Movie Channel, Showtime (sharing with the theatrical production "Perfectly Frank") and Cinemax. Also featured on the Cinemax guide: "Melvin and Howard," "The Jazz Singer," and the Wilfred Benitez-Roberto Duran championship fight. Meanwhile, Robin Williams flexes his muscles as Popeye on Home Theater Network's bi-monthly guide cover (January-February).

National cable advertising

This chart lists national advertising sales by the basic cable networks during November.

Network/client	Status
AETN	
Dow Jones	New client
Laser Products	New client*
Newsweek	New client
Time-Life	New client
ARTS	
Polaroid	New client
BET	
General Foods	Renewal
Phillips Petroleum	Renewal
CBS Cable	
Kellogg's	Renewal
CNN	
D-Con	Renewal
ESPN	Renewal
General Motors (Oldsmobile)	Renewal
J.C. Penney	Renewal
National Consumer Electronics Showcase	New client*
Reynolds Metals	Renewal
Shell Oil	Renewal
20th Century-Fox	Renewal
Warner Communications (Atari)	New Client
Woolworth's	New client
ESPN	
American Express	Renewal
Arbor House	Renewal
Athletic Investment	New client*
Bendix (Fram Oil Filters)	Renewal
Bruno Dean	Renewal
Brunswick	New client
Converse (Efira)	New client
Eastman Kodak	Renewal
Hockey News	New client*
IBM	Renewal
Mercedes-Benz	Renewal
Mitsubishi	Renewal
Paramount Pictures	Renewal
Pepsico	New client
Phillips Petroleum	New client
Plough (Schering-Plough)	New client
Ralph Esposito Enterprises	New client*
Renfield Importers	Renewal
Richland Shoe	New client*
Schrade	New client*
Sperry	Renewal
STP (Esmark)	Renewal
20th Century-Fox	Renewal
U.S. News & World Report	Renewal
Volvo	Renewal
Warner Amex	Renewal
MSN	
Hallmark	Renewal
Kraft	Renewal
Mattel	New client
Uncle Ben's Rice	New client*
SIN	
Lever Brothers	New client
SPN	
Home Box Office	Renewal
Zales	New client
USA Network	
Clinique	Renewal
General Foods	Renewal
Hallmark Cards	New client
Inglenook Wines	New client
Kellogg's	New client
Mattel	New client
Miles Labs	New client
Warner Communications (Movies/Atari)	Renewal
WTBS	
ESPN	Renewal
Jordache	New client*
Shulton	New client
Stride-Rite	Renewal

SPN update

Because of deadlines, a number of new clients and renewals for SPN were not listed in the 1981 advertiser lineup in our Western Show issue (12/7/81).

New clients

Amtrak
Brunswick
Cusinart*
Colonial Penn Insurance
Continental American Life*
CIE Tours*
Corning Glass
Cosmair
DuPont
Faberge
Foster Grant
Guiness Brewers*
International Diamonds*
Integrated Resources*
Murjani
Mannington Mills
Nautilus Equipment*
Nestle
Peter Paul Candies (Cadbury-Schweppes)
Pepsico
Pro Magazine
Sports Shack
Sporting News
Stardust Hotel/Las Vegas*
Union Carbide
Warner-Lambert
Wella

Renewals

Essence Magazine
J.C. Penney
Schwinn
Working Woman Magazine

• In the Western Show issue "Cable stats" section, Casablanca Records, Chanel and Proctor & Gamble were listed as advertisers on MTV: Music Television. All three companies have not yet committed to sponsorship on the service. In addition, Mountain Dew was inadvertently listed as a brand of Pepsico. The soft drink is a product of the Seven Up division of Phillip Morris Corporation. CableVision regrets the error.

*New to network advertising.